

14 January 2010

Borrowers get cheaper rates at the expense of savers

In the last few months, lenders have reduced mortgage rates. However, while borrowers benefit, savers are losing out as providers cut the savings rates they are offering in order to maintain their balance sheets.

Up to November 2009, demand for savers' money boosted the rates on offer, but since then, savings rates have been falling and are now back to the levels seen last summer.

Average Rate	November 2009	Today	Change
Savings			
Easy Access	0.81%	0.75%	-0.06%
ISA	2.11%	2.06%	-0.05%
1 Year Bond	3.18%	3.01%	-0.17%
3 Year Bond	4.16%	3.94%	-0.22%
5 Year Bond	4.77%	4.54%	-0.23%
Mortgages			
2 Year Fixed	5.11%	4.87%	-0.24%
3 Year Fixed	5.55%	5.48%	-0.07%
5 Year Fixed	6.20%	6.04%	-0.16%
2 Year Tracker	3.78%	3.70%	-0.08%
Source: Moneyfacts.co.uk 14.1.10			

Michelle Slade, spokesperson at Moneyfacts.co.uk, commented:

"Savers' money was in high demand during 2009, leading many banks and building societies to offer rates as much as 10 times the base rate.

"Providers must strike the right balance between savers and borrowers in order to maintain their balance sheets. No provider will offer market leading deals to both at the same time.

"Competition is slowly returning to the mortgage market with LTVs and product numbers increasing and rates falling.

"The focus appears to have switched back to lending and as the demand for savers' money reduces, so do the rates offered.

"Many savers have just experienced their worst ever year's returns and 2010 is not shaping up to be much better.

"The only benefit is likely to come from the forthcoming ISA season that will see providers battling it out to attract savers' tax free allowances."

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Our increasingly popular consumer website www.moneyfacts.co.uk **helps customers make better financial decisions** and gives them the ability to check the latest best buy products and to search the **whole market** for products that suit their individual circumstances.

Moneyfacts.co.uk also supplies best buy charts to many of the UK national and regional newspapers, with a total weekly readership in excess of 22,000,000. Moneyfacts.co.uk also provides the personal finance data that powers many UK online comparison websites.

Our dedicated research experts produce three monthly publications as well as providing real time news and data services to the majority of banks and building societies. Additional information can be found at www.moneyfactsgroup.co.uk.

Contact us...

Looking for extra comment, a chart or more information, then please give us a call. We are always more than happy to help.

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